

NonProfit Financial Managers

Volume Twelve, Number Four

For more information, contact Mitzi Fennel at 617-547-9861, x235 or Doug Kline at 617-868-5050, x202

Mark your calendars now...

All of our meetings take place on the last Tuesday of each month. Upcoming dates are:

◆ **February 22, 2005**

Creating Budgets for Funders

◆ **March 29, 2005**

What Auditors Are Looking For

◆ **April 26, 2005**

Capital Financing

Job Openings...

The NonProfit Financial Managers group has a section on their website for job postings. Check out our new website at www.npfm.org and you'll find the complete list of jobs. Each month we'll highlight one job opening in this newsletter. Contact David Richardson at 617-558-8112 or drichardson@templemanuel.com

Organization: **Temple Emanuel of Newton**

Job Description: Full-time bookkeeper needed for accounts payable, accounts receivable and other related bookkeeping tasks at large active synagogue. Salary range is mid to high 30's depending on experience. Contact David Richardson, Controller at drichardson@templemanuel.com or at 385 Ward Street, Newton Centre, MA 02459

The Next Meeting

Topic: **Creating Budgets for Funders**

Date: **Tuesday, February 22, 2005**

Location: **United South End Settlements
566 Columbus Ave., Boston**

Time: **12:00 PM – 1:30 PM**

How do Foundations decide who to fund, anyway? We know one big part is the budget, but what should go into a budget? Should you put in overhead costs or just direct costs? Should you look lean or healthy? Beth Smith, Executive Director of the Hyams Foundation, in her role of assessing proposals has been looking at budgets from many applicants. She will give “an insiders” view of the role of the budgets in funding proposals and what funders look for. The Hyams Foundation has been funding local non-profits in Boston and Chelsea for more than 80 years and is one of the few foundations that provide operating grants as well as direct program grants. Come with your questions on budgets and the proposal review process.

Cancellations/Snow Days

Meeting cancellations due to snow or other emergencies will be posted on the NPFM listserv at npfm@topica.com. You can also call United South End Settlements on the day of the meeting at 617-536-8610.

Recap of January Meeting

Nancy Kelly, CPA, MST, who heads Kelly & Associates, Not for Profit Consultants and Accountants, gave a presentation on fraud and abuse in not-for-profit organizations and how to protect the resources of your organization and combat the diversion of funds and assets. She has been in the business for the past 25 years, mainly concentrating on year-end audits. During that time, she has uncovered a dozen or so cases of fraud. She has found that there are not that many new ways to commit fraud, but that the Internet and electronic banking have increased the opportunities. Making mistakes in budgeting, etc. is not the same as fraud. Fraud is intent to deceive others, such as the bank, government, auditors, management, the Board, etc.

She first commented on who is stealing and why? A recent study found that 91% of those who steal or commit fraud on the job are dissatisfied with their jobs. The average amount of time that a case of fraud continues is 18 months. Only 11.5% of the cases are caught by the external auditor – usually it is the bookkeeper, CFO, or someone else in the company who suspects that something is not right. The most likely candidate to commit fraud according to statistics is someone over the age of 60 with an advanced degree. It is more likely the CFO rather than the bookkeeper. Both internal and external factors can contribute to an employee's decision to commit fraud. Some internal factors are: believing that you are under-compensated; feeling under-appreciated; feeling frustrated by a high volume of work; and the belief that promotions are based on office politics. External factors include: substance abuse, extreme financial stress, health problems, compulsive behavior (such as gambling), or the need to maintain a certain lifestyle. Employees who commit fraud often rationalize it by considering it small in comparison to the total volume of the business and adopting the attitude of who cares, or that they will eventually repay the theft. Also, employees often think that if they are not actually taking cash, then they are not stealing – such as taking home office supplies.

The best protection against fraud is for an organization to adopt best practices as far as internal controls and separation of duties is concerned. The best defense is to adopt a zero tolerance policy when dealing with employees who commit fraud. The Sarbanes-Oxley Act has made Board members and officers a lot more aware of their responsibilities in terms of fiscal oversight and vouching for the accuracy of budgets and financial statements. Mistakes will be made, but management must demonstrate that it exercised due diligence in adopting and following best practices for internal controls.

Banks and credit card companies are currently organizing to change the current regulation that they are held responsible for credit/bank card fraud losses. Nancy recommended that agencies do not carry a debit card, rather they should have a deposit only card. She prefers that agencies utilize a petty cash fund rather than using a debit card, which just increases that opportunity for theft.

NPFM Membership Information

The annual membership fee of \$100 covers monthly mailing and other operating expenses and covers the period from September to August of each year. A part-year membership for \$60 is offered for those joining after January 1st, and covers membership through August. Students are welcome to join at any time at a rate of \$25.

In addition to attendance at monthly meetings, members receive a monthly newsletter and participation in the NPFM e-mail forum. Lunch is provided for all attendees at meetings. There is a \$12 meeting fee for non-members.

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